

House File 2489 - Introduced

HOUSE FILE 2489
BY COMMITTEE ON STATE
GOVERNMENT

(SUCCESSOR TO HSB 695)

A BILL FOR

1 An Act relating to the auditor of state and including effective
2 date and applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 11.31A Auditor of state —
2 divisions.

3 1. The auditor of state shall adopt rules establishing
4 divisions within the office of auditor of state. For each
5 division within the office of auditor of state that is
6 responsible for performing attest services as described in
7 section 542.3, the auditor of state shall appoint a deputy
8 auditor of state that is a certified public accountant to lead
9 that division.

10 2. If the auditor of state is not a certified public
11 accountant licensed pursuant to chapter 542, the auditor of
12 state shall not sign an attest report issued by the office of
13 auditor of state, but shall defer to the appropriate deputy
14 auditor of state who meets the experience or competency
15 requirements set out in nationally recognized professional
16 standards for such services.

17 3. The auditor of state shall comply with all applicable
18 rules of professional conduct adopted by the Iowa accountancy
19 examining board pursuant to section 542.4.

20 Sec. 2. Section 542.3, subsection 20, Code 2022, is amended
21 to read as follows:

22 20. "*Peer review records*" means a file, report, or other
23 information relating to the professional competence of
24 an applicant in the possession of a peer review team, or
25 information concerning the peer review developed by a peer
26 review team in the possession of an applicant. "Peer review
27 records" includes peer review reports.

28 Sec. 3. Section 542.3, Code 2022, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 20A. "*Peer review reports*" means a study,
31 appraisal, or review of one or more aspects of a certified
32 public accounting firm's compliance with applicable accounting,
33 auditing, and other attestation standards adopted by generally
34 recognized standard-setting bodies.

35 Sec. 4. Section 542.7, subsection 4, Code 2022, is amended

1 to read as follows:

2 4. An applicant for initial issuance or renewal of a permit
3 to practice as a certified public accounting firm is required
4 to register each office of the firm within this state with the
5 board and to show that all attest and compilation services
6 rendered in this state are under the charge of a person holding
7 a valid certificate issued under [section 542.6](#) or [542.19](#), or
8 by another state if the holder has a practice privilege under
9 [section 542.20](#). However, the requirements of this subsection
10 shall not apply to the office of auditor of state if the
11 auditor of state otherwise complies with the requirements of
12 section 11.31A and this section.

13 Sec. 5. Section 542.7, subsection 10, Code 2022, is amended
14 to read as follows:

15 10. a. Peer review records are privileged and confidential,
16 and are not subject to discovery, subpoena, or other means
17 of legal compulsion. Peer review records are not admissible
18 in evidence in a judicial, administrative, or arbitration
19 proceeding. Unless the subject of a peer review timely objects
20 in writing to the administering entity of the peer review
21 program, the administering entity shall make available to the
22 board within thirty days of the issuance of the peer review
23 acceptance letter the final peer review report or such peer
24 review records as are designated by the peer review program in
25 which the administering entity participates. The subject of a
26 peer review may voluntarily submit the final peer review report
27 directly to the board. Information or documents discoverable
28 from sources other than a peer review team do not become
29 nondiscoverable from such other sources because they are made
30 available to or are in the possession of a peer review team.
31 Information or documents publicly available from the American
32 institute of certified public accountants relating to quality
33 or peer review are not privileged or confidential under this
34 subsection. A person or organization participating in the
35 peer review process shall not testify as to the findings,

1 recommendations, evaluations, or opinions of a peer review team
2 in a judicial, administrative, or arbitration proceeding.

3 b. However, notwithstanding any provision of this subsection
4 to the contrary, peer review reports concerning the office of
5 auditor of state shall be considered a public record pursuant
6 to chapter 22.

7 **Sec. 6. NEW SECTION. 542.7A Office of auditor of state.**

8 1. The office of auditor of state shall qualify as a
9 certified public accounting firm subject to the requirements of
10 sections 11.31, 11.31A, and 542.7.

11 2. For purposes of section 542.7, the auditor of state shall
12 be deemed to be the owner of the office of auditor of state and
13 the office of auditor of state shall be deemed to comply with
14 the ownership requirements of section 542.7 if the auditor of
15 state is a certified public accountant or all divisions of the
16 office of auditor of state performing attest services are led
17 by a certified public accountant.

18 3. The provisions of sections 542.9, 542.17, and 542.18
19 shall not apply to the office of auditor of state as a
20 certified public accounting firm under this chapter.

21 **Sec. 7. EFFECTIVE DATE.** This Act, being deemed of immediate
22 importance, takes effect upon enactment.

23 **Sec. 8. RETROACTIVE APPLICABILITY.** This Act applies
24 retroactively to July 1, 2002.

25 **EXPLANATION**

26 The inclusion of this explanation does not constitute agreement with
27 the explanation's substance by the members of the general assembly.

28 This bill concerns the office of auditor of state.

29 The bill requires that the auditor of state adopt rules
30 establishing divisions and to provide that for each division
31 that is responsible for performing attest services as described
32 in Code section 542.3, the auditor of state shall appoint a
33 certified public accountant to lead that division. The bill
34 requires a deputy auditor of state who meets the experience
35 or competency requirements set out in nationally recognized

1 professional standards to sign an attest report if the auditor
2 of state is not a certified public accountant.

3 The bill also requires the auditor of state to comply with
4 the applicable rules of professional conduct required for
5 certified public accountants.

6 Code chapter 542, concerning public accountants, is amended.
7 The bill adds "peer review reports", defined in the bill, to
8 the definition of "peer review records". By operation of
9 law, peer review records are privileged, confidential, and
10 not subject to discovery or other means of legal compulsion.
11 New Code section 542.7A provides that the office of auditor
12 of state shall qualify as a certified public accounting firm
13 subject to the requirements of Code sections 11.31 and 542.7.
14 The bill provides that for purposes of applying for a permit as
15 a certified public accounting firm under Code section 542.7,
16 the auditor of state shall be deemed the owner of the office
17 and the office of auditor of state shall be deemed to comply
18 with the ownership requirements of Code section 542.7 if the
19 auditor of state is a certified public accountant or all
20 divisions of the office of auditor of state performing attest
21 services are led by a certified public accountant. The bill
22 provides that Code section 542.9, concerning appointment of
23 secretary of state as an agent, and Code sections 542.17 and
24 542.18, concerning client confidentiality, do not apply to the
25 office of auditor of state if the office of auditor of state is
26 issued a permit as a certified public accounting firm.

27 Code section 542.7, concerning firm permits to practice,
28 is amended. The bill provides that the requirements of an
29 applicant to register each office of the firm within the state
30 with the Iowa accountancy examining board and to show that all
31 attest and compilation services rendered in this state are
32 under the charge of a person holding a valid certificate do
33 not apply to the office of auditor of state. In addition, the
34 bill provides that peer review records concerning the office of
35 auditor of state shall be considered a public record pursuant

1 to Code chapter 22.

2 The bill takes effect upon enactment and applies

3 retroactively to July 1, 2002.